

International and markets

Global: In its July World Economic Outlook, the IMF kept its 2021 global growth forecast unchanged at 6% as a stronger expansion in advanced economies offset weaker forecasts for developing economies, with the revisions reflecting pandemic developments and changes in policy support. Global growth for 2022 was upgraded from 4.4% to 4.9%, mainly driven by higher growth in advanced economies especially the US.

US: GDP growth came in at a below-consensus annualized 6.5% in Q2, similar to the 6.3% seen in Q1. Growth was supported by a strong rise in consumer spending (11.8%) fueled by stimulus checks and pent-up demand as the economy reopened, but residential investment, inventories and net exports were weak, the latter two perhaps affected by supply chain/shortage issues. Meanwhile, PCE inflation (the Fed's preferred price gauge) was steady at 4.0% in June, while the core rate edged up less than expected to 3.5% – both still well below their CPI equivalents. The Fed as anticipated left policy unchanged at its July meeting, though acknowledged the progress being made by the recovery. However, this progress was not yet sufficient to trigger a tapering of its QE program, which could come later this year.

Eurozone: GDP growth in 2Q21 came in stronger than anticipated at 2.0% q/q – a faster pace than in the US. Still, output in the area remained 3% below pre-pandemic levels. Growth in Germany (1.5%) disappointed after a weak Q1, with industry hit by supply chain issues, but gains in France (0.9%), Italy (2.7%) and Spain (2.8%) were larger than forecast. Unemployment also fell sharply to 7.7% in June, though the underlying picture remains obscured by furlough policies.

China: The IMF reduced its forecast for 2021 economic growth to 8.1% from 8.4% on a scaling back of public investment and overall fiscal support. Meanwhile, profits of industrial firms increased by a strong 67% y/y in 1H2021.

Financial markets: The MSCI AC World index fell 0.7% weighed down by the MSCI EM (-2.7%) due to tighter corporate regulations in China, while the Euro Stoxx 50 and DJIA lost 0.5% and 0.4%, respectively. Easing inflation concerns pushed the US 10-year treasury yield down to a 5-month low of 1.23%. Meanwhile, the MSCI GCC increased by 2.2% on good earnings with Abu Dhabi and Kuwait in the lead (3.6%, 2.9%).

Oil: Brent price increased by 3% w/w to \$76.3/bbl, adding to the previous week's increase after OPEC+ reached a deal to

increase production levels going forward. Oil prices were supported by a larger-than-expected drop in US crude inventories, which outweighed any negative pressure from concerns related to the fast-spreading Covid-19 delta variant.

MENA Region

Kuwait: The finance ministry revealed that the tax administration development project is scheduled to be completed by October 2024. Meanwhile, banks' net profits have rebounded strongly y/y in Q2, with all six banks that already disclosed results also recording higher revenues on the back of the improving operating environment and an especially weak Q2 last year given the onset of pandemic-related restrictions.

Saudi Arabia: During the launch of a Fourth Industrial Revolution Center in KSA, Saudi authorities announced a public-private partnership to set up a \$15 billion technology fund, which will support the economy's gradual transformation to being based on technology, information, and skills. Meanwhile, the IMF upgraded the country's 2022 economic growth forecast to 4.8% from 4%, but lowered the forecast for this year to 2.4% from 2.9% driven by the oil sector. Finally, credit growth remained strong in June, resulting in a y/y expansion of 16.8%.

Egypt: The finance minister mentioned that government revenues increased by 12% in FY20/21 and expenditures rose by 9%, resulting in a primary surplus of around 1.4% of GDP, while the budget deficit narrowed from 8% to 7.4% of GDP.

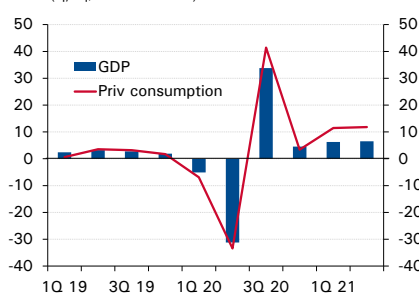
Key takeaways:

- The IMF's recent WEO indicated diverging prospects for countries globally, whereby vaccine access (which is much higher at advanced economies versus developing ones) is the most important determinant of whether countries can expect further normalization of economic activity going forward.
- The softer-than-expected (though still strong) US growth and inflation figures provide a degree of support for the Fed's call for 'patience' on policy tightening. Still, 'transitory' price pressures have not yet abated and with growth set to remain strong in H2, it is unlikely to delay QE tapering for too long.
- The IMF's upgrade of KSA's non-oil growth in 2021 to a solid 4.3% (from 3.9% previously) along with a robust 3.6% non-oil growth forecast for 2022 is yet another testimony of the country's favorable outlook and the successful policies/reforms undertaken by the government.

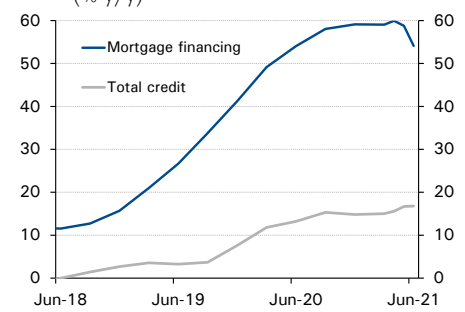
▶ **Chart 1: Brent crude oil price** (\$/bbl.)



▶ **Chart 2: US GDP growth** (q/q, annualized)



▶ **Chart 3: KSA credit growth** (% y/y)



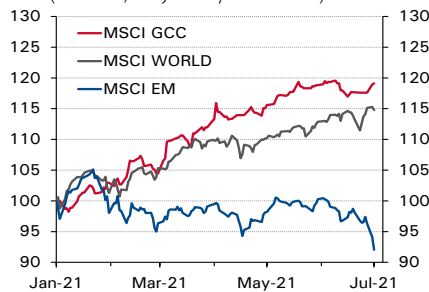
Key data

Stock markets	Index	Change (%)		Bond yields	%	Change (bps)		Interbank rates	%	Change (bps)					
		1-week	YTD			1-week	YTD			1-week	YTD				
International															
CSI 300	4,811	-5.5	-7.7	UST 10 Year	1.23	-5.6	31.4	Bhibor - 3 month	1.59	0.0	-65.8				
DAX	15,544	-0.8	13.3	Bunds 10 Year	-0.46	-4.5	11.7	Kibor - 3 month	1.50	0.0	6.3				
DJIA	34,935	-0.4	14.1	Gilts 10 Year	0.57	-1.9	37.1	Qibor - 3 month	0.95	-20.5	-17.1				
Eurostoxx 50	4,089	-0.5	15.1	JGB 10 Year	0.02	0.9	-0.2	Eibor - 3 month	0.37	2.3	-14.2				
FTSE 100	7,032	0.1	8.9	Regional											
Nikkei 225	27,284	-1.0	-0.6	Abu Dhabi 2022	0.29	-13.5	-21.3	Qatar 2022	0.18	-12.4	-34.3				
S&P 500	4,395	-0.4	17.0	Dubai 2022	0.27	0.0	7.4	Kuwait 2022	0.37	-25.1	-9.2				
Regional															
Abu Dhabi SM	7,318	3.6	45.0	KSA 2023	0.65	0.9	-6.4	USD per EUR	1.187	0.8	-2.8				
Bahrain ASI	1,597	1.1	7.2	Commodities											
Dubai FM	2,766	0.8	11.0		\$/unit	Change (%)		JPY per USD	109.7	-0.8	6.3				
Egypt EGX 30	10,742	0.9	-1.0			1-week	YTD	USD per GBP	1.390	1.1	1.7				
MSCI GCC	676	2.2	23.5	Brent crude	76.3	3.0	47.4	EGP per USD	15.67	0.3	-0.1				
Kuwait SE	6,581	2.9	18.7	KEC	75.2	2.0	48.5								
KSA Tadawul	11,013	2.0	26.7	WTI	74.0	2.6	52.4								
Muscat SM 30	4,030	-1.1	10.2	Gold	1812.6	0.6	-4.3								
Qatar Exchange	10,753	0.5	3.0												

Updated on 30/7/2021 Source: Refinitiv

International equity markets

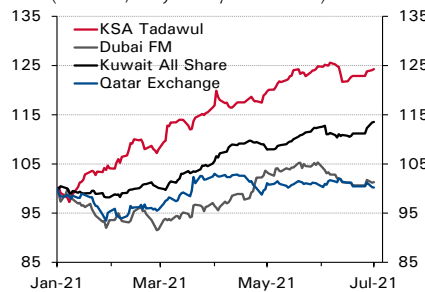
(rebased, 27 January 2021=100)



Source: Refinitiv

GCC equity markets

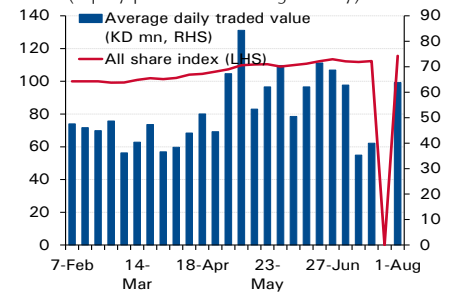
(rebased, 27 January 2021=100)



Source: Refinitiv

Bursa Kuwait

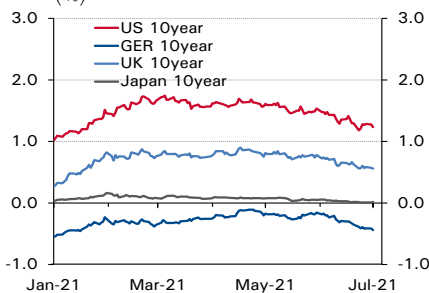
(equity prices and trading activity)



Source: Refinitiv

International bond yields

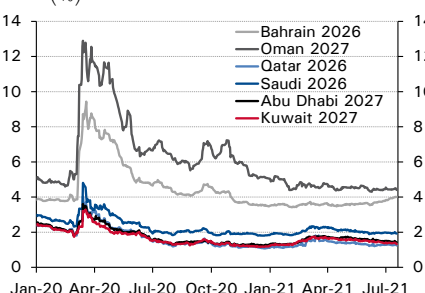
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Source: Refinitiv

GCC bond yields

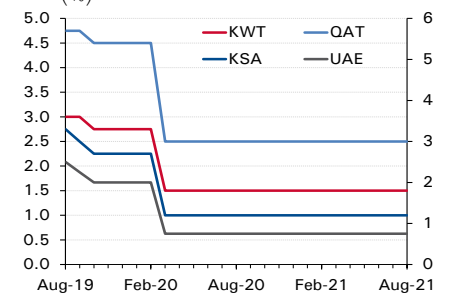
(%)



Source: Refinitiv

GCC key policy rates

(%)



Source: Refinitiv